Coopers & Lybrand is also the auditing firm for Air America and Southern Air Transport. (NYTimes, 30 Aug 73, "CIA Is Reported Trying To Sell Interest in Airline," by David Binder.)

Je's note that Coopers & Lybrand is also auditing for Air America and Southern Air Transport (NYT 8/30/73, "CIA Is Reported Trying to Sell Interest in Airline," by David Binder, reminds me I have not yet heard from Howard. If it is not too much trouble, I'd appreciate a copy for this would make a provocative footnote on the property "explanation." HH was due back almost 3 weeks ago, as I recall. Thanks HW 9/17/73

Examiner SEP 9 1973

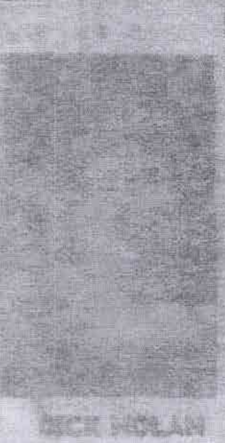
Dick Nolan

'Tax Reform' Absurdity

[illegible] didn't want to change [illegible] of themselves. In-[illegible] with a long [illegible] King started eating [illegible]," said Aesop the [illegible].

A person is [illegible] judgment that every working person who voted for Richard Nixon, or who didn't vote at all, has since got exactly what he asked for, doubled, re-doubled, and in spades.

Richard the Frog King has been devouring his people in a manner so cold as to be astonishing. It goes beyond ordinary contempt; there is about the procedure a robot-like implacability in which human emotions play no part. I don't think, as some have hypothesized, that Richard Nixon has an abiding hatred of the people. I think that he thinks that the people count for absolutely nothing.



DICK NOLAN

Lately, I have been noticing in [illegible], amid all the other [illegible], that our President wishes to readjust our income tax forms.

Not even we dumb frogs are quite dumb enough to expect Richard Nixon to make adjustments which might adversely affect J. Paul Getty, or Howard Hughes, or for that matter, Abplanalp, Rebozo & Nixon, realtors. But isn't there something chillingly remorseless in the way Nixon zeroes in on the ordinary taxpayer's pitiful MEDICAL DEDUCTION?

Here's a guy who, while spending millions just to flit from house to house with entourage, can use the Presidential veto on a two-buck minimum wage bill.

Here's a robot who can scan the income tax form for loopholes, miss those you can drive a Brinks truck through, and propose choking off the minimal tax relief now available to an ordinary citizen whose medical bills have been catastrophic.

The first step in this direction came last spring when Nixon's Treasury Department popped it as a "reform" program. Then it was in milder form. Obviously the Nixon people thought we were getting away with too much, and thought to clip us sharply, if only to remind us of who's in charge.

In full flower, the program went a step further — was THE step further last week. It was proposed to do away with the medical deduction entirely, then perhaps, maybe, who knows, tie in a medical insurance plan we'd buy with the money instead, we'd see.

Nixon himself, while all this was going on, was admitting coyly that he'd paid no income tax on what certainly looks like a handsome profit on his fast realty shuffle at San Clemente. It was a matter of dispute, he said, whether it was a capital gain or not. He didn't add who decides such disputes.

What makes this Nixon "tax reform" an absurdity beyond laughter is the niggardliness of the common medical deduction as it stands. As I have noted here before, a hunk of machinery gets much better tax treatment than a human, and this remains so before Nixon even gets his hands on the tax laws.

Ordinary maintenance of the human body is not treated, for tax purposes, like ordinary maintenance of a stamping press, a milling machine, or one of Abplanalp's plastics formers that turn out those spray can valves. Ordinary depreciation isn't figured in, either, as it is for Abplanalp's plant, Rebozo's real estate, or Nixon's law library.

The best the taxers have ever allowed us is to recapture a part of our medical costs—the catastrophic part over and above what they consider routine payments for doctors, dentists and prescription medicines.

Now comes Nixon to wipe out even this consideration, and coming as it does on top of all the other imperious Frog King chastisements of the ordinary folk, it amounts to nothing less than a damnable outrage.

The medical deduction ought to be altered, all right. But the change should permit a tax credit for every dime spent keeping the old bod in shape. The logic of this, if you earn your living with your hands and your head, is too obvious to need underscoring. Income-earning, after all, is the excuse for the warm consideration given to machines.

The Nixons' Income Tax Deductions

Washington

President and Mrs. Nixon appear to have claimed enough tax deductions in 1970, and possibly in 1971, to have wiped out all of their taxable income for federal income-tax purposes, according to figures published by the White House and other official sources.

It is not known whether the Nixons actually paid no federal income tax for either of these years, and thus attained membership on the "zero taxpayer's list" of persons with incomes in excess of $200,000 who paid no federal income tax.

Gerald L. Warren, the deputy White House press secretary, declined yesterday to answer questions about the Nixon's tax payments.

CLAIMS

Published figures indicate, however, that the Nixons claimed large enough deductions in 1970 and 1971 to offset all or part of Mr. Nixon's $200,000 salary plus whatever other income they had. The additional income has been said by the White House to be limited to a relatively small amount of interest from savings accounts.

The chief deductions that the Nixons are presumed to have claimed have been the interest on various loans

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they have made, mainly to finance purchases of property in California and Florida; property taxes, and a deduction as a charitable contribution of Mr. Nixon's gift of his pre-presidential papers to the National Archives.

The White House has stated that Mr. Nixon took the deduction for the gift of the papers. It has not said whether he claimed the interest on the loans and the [illegible] parent reason why he would not have done so.

LEGALITY

No question has been raised by authorities in the tax field concerning the legality of the deductions for interest paid or for the property taxes. The much larger deduction that was taken for the gift of the personal papers has been challenged, however, by a public-interest law group, Tax Analysts and Advocates.

The "zero taxpayers' list," which has long been a focus of tax-reformers, is not published name-by-name, but the Internal Revenue Service does compile figures annually on how many there are.

In 1970, there were 111 returns that showed $200,000 or more of adjusted gross income but no tax liability, and preliminary figures for 1971 show 72 such returns.

ACT

The disclosure in 1969 that there were more than 150 persons who paid no federal income tax, despite adjusted gross income of $1 million a year or more, was one of the main events that led to enactment of the tax reform act of 1969.

That law contains a provision called the "minimum tax," which is aimed at making it more difficult for high-income individuals to combine various tax-reducing provisions of the law in such a way as to avoid all federal income tax.

The principal deductions that Mr. Nixon is presumed to have claimed — interest connected with the property purchases, property taxes, and the contribution of his papers — are not covered by the "minimum tax."

However, another section of the 1969 law abolished the deduction for gifts of their papers to institutions by public officials. That deduction was eliminated as of July 25, 1969, and Tax Analysts and Advocates have argued that Mr. Nixon did not actually make the gift before that date.

A spokesman for Mr. Nixon has claimed that since the gift was fully arranged by then, the pre-1969 tax laws should apply to it, although the deed of gift was not received by the National [illegible]

President.

Mrs. Nixon's presidential papers were valued at $570,000 by an independent appraiser. The old law that still permitted deductions for such gifts also contained some limitations on the size of the deduction in any given year.

The limit was 30 per cent of adjusted gross income in the year of the gift and 30 per cent in each of the five following years, up to the total of the gift.

Thus, if the Nixons had income from savings accounts of $10,000, in addition to the President's salary, they could have claimed a deduction of about $63,000 for the gift in 1969, which they assert is the date of the gift, and about $105,000 in each of the subsequent years. That would wipe out half of their 1970 and 1971 incomes, for federal tax purposes.

PROPERTY

According to the audit of the Nixons' property transactions that was made by Coopers and Lybrand, and released by the White House on August 27, the Nixons paid at least $81,000 in interest in 1970 on notes covering the purchase of their San Clemente property.

Property tax records in California indicate that they were liable for payment of about $21,000 in property taxes that same year.

Additional taxes paid on the Key Biscayne property, plus some interest related to the purchase of that property that is not given by years in the Coopers and Lybrand audit, would almost certainly bring the deductions for 1970 up over the necessary total of $210,000 or so.

SURE

Ira L. Tannenbaum of Tax Analysts and Advocates said, "It is 99 per cent sure that, based on these figures, the Nixons paid no federal income tax for 1970." J. Reid Hambrick, professor of tax law at the George Washington University Law School, agreed.

Tannenbaum said he was less sure that the Nixons had paid no tax in 1971 because the Coopers and Lybrand audit was unclear concerning the dates of some large interest payments.

$95,000 in interest as having been paid on loans associated with the San Clemente property but dates the payments only as "subsequent" to the sale of part of the San Clemente property to an investment company controlled by two of the President's friends, Robert H. Abplanalp and Charles G. Rebozo. The White House said that the sale took place in December 1970, although there has been some dispute about the date.

In addition, the audit lists other interest payments of $115,102 in 1971 and 1972, without making clear what portion was paid in each year.

It appeared to be possible, though not certain, that the interest payments in 1971 totaled enough — combined with the disputed deduction for the gift of the pre-presidential papers and with property taxes and other deductions — to have made the Nixons zero taxpayers in that year.

New York Times

[illegible] INDICATES
[illegible] LAND-GAIN TAX

[illegible] Audited Returns
[illegible] '71 and '72 and 'Did
[illegible] Change'

By PHILIP SHABECOFF
Special to The New York Times

WASHINGTON, Sept. 5—President Nixon indicated today that he had paid no capital gains tax on a $1.24-million sale of some of his property at San Clemente, Calif. He explained that the Internal Revenue Service had not ordered him to make any changes in his income tax returns.

In answer to a question about his personal finances at a White House news conference, Mr. Nixon conceded that there was some difference of opinion on whether he had realized any capital gain on a sale of 23 acres of San Clemente property to two millionaire friends, Robert H. Abplanalp and Charles G. Rebozo. He referred to it as a "difference between accountants." [Question 3, Page 26.]

However, he said that the Internal Revenue Service had audited his tax returns for 1971 and 1972 and, after the audit, "did not order any change." Presumably, this meant that Mr. Nixon had not declared any capital gains on the sale.

If the I.R.S. had ordered a change, Mr. Nixon said, "I would have paid the tax."

Mr. Nixon said that he did not resent questions about his personal property, but added that he did resent the "implications" that his property at either Key Biscayne, Fla., or San Clemente "was enriched

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because of what the Government did."

There have been, in recent months, questions raised by members of Congress and by the media, about expenditures of some $10-million in Federal funds in the name of Presidential security and safety at Mr. Nixon's private properties.

Some critics have complained that Mr. Nixon's property was being improved at public expense.

Today, however, Mr. Nixon said that "as a matter of fact, what the Government did at San Clemente reduced the value of the property."

In a reference to security installations at San Clemente, Mr. Nixon said: "If you see three Secret Service gazebos and if you see some of the other fences that block out the rather beautiful view to the hills and the mountains that I like, you would realize that what I say is quite true. It reduces its value as far as a residential property is concerned."

Differences in News Play

The President said that the audit of his real estate transactions by a public accounting firm, released last week by the White House, "gave the lie" to reports that he had paid for his property in San Clemente with "a million dollars worth of campaign funds."

The President complained that these reports had been printed "in eight-column headlines in most of the papers of this country" but that the retractions had "ended back up with the corset ads for the most part."

Mr. Nixon said that he had bought all his property with no money except his own, which he had borrowed and still owes.

Discussing his property holdings, the President mentioned two pieces of property in Florida at Key Biscayne, the San Clemente property and "a house on Whittier Boulevard in which my mother once lived." He added, "I have no other property and I owe money on all of them."

Mr. Nixon said he owned no stocks or bonds and said that he thought he was the first President since Harry S. Truman to own none.

The Internal Revenue Service, he said, made a "full field review, or audit," of his income tax returns for 1971 and 1972. The audit, he said, included the San Clemente property sale to his friends.

Mr. Nixon purchased the 25.3-acre estate at San Clemente, including the lavish Spanish-style home, for $1.4-million in 1969. He bought an adjoining 2.9-acre parcel for $100,000 four months later. Mr. Nixon borrowed heavily from Mr. Abplanalp to finance the purchases, according to the White House.

Gain Seen on Sale

Subsequently, Mr. Nixon and his wife, as owners of the San Clemente property, sold 23 acres to the B. & C. Investment company, owned by Mr. Abplanalp and Mr. Rebozo, for $1,249,000.

Superficially, at least, it would appear that the Nixons sold their property for a somewhat higher price per acre than they paid, even when not counting the value of the big house.

However, Mr. Nixon apparently did not believe he had made any capital gains on the sale and reported none.

A spokesman for the revenue service, asked about the President's statements, said that the service would have no comment because it never comments on the tax returns of an individual.

A former commissioner of the service, Sheldon S. Cohen, told a reporter last month that, based on White House figures, "it would appear that a capital gain should have been reported."

Mr. Cohen, now in private tax practice, is general counsel of the Democratic National Committee.

Last week Representative Jack Brooks, a Texas Democrat, who heads a House subcommittee investigating public spending on President Nixon's private residences, reported that documents pertaining to the sale of land to Mr. Abplanalp and Mr. Rebozo had been altered.

Mr. Brooks said his staff had evidence indicating that the original date on attachments to a sales agreement describing the land being sold was changed on Jan. 8, 1971, to Dec. 15, 1970. Mr. Brooks suggested at the time that the change might have had something to do with the tax year.

The White House said in reply that the changes had been made because there were errors in the description of the property and that the changes had nothing to do with taxes.